LEGISLATIVE SERVICES AGENCY
OFFICE OF FISCAL AND MANAGEMENT ANALYSIS

200 W. Washington, Suite 301
Indianapolis, IN 46204
(317) 233-0696
http://www.in.gov/legislative

FISCAL IMPACT STATEMENT

LS 7853
BILL NUMBER: HB 1557

NOTE PREPARED: May 4, 2007
BILL AMENDED: Apr 29, 2007

SUBJECT: Various Financial Institutions Matters.

FIRST AUTHOR: Rep. Burton
FIRST SPONSOR: Sen. Paul

BILL STATUS: As Passed Senate

FUNDS AFFECTED: **GENERAL**
X **DEDICATED**
FEDERAL

IMPACT: State

Summary of Legislation: The bill makes various changes to the laws concerning: (1) financial institutions; and (2) persons licensed under the Uniform Consumer Credit Code.

Effective Date: Upon passage; July 1, 2007.

Explanation of State Expenditures: The bill has the following provisions with fiscal impact for the Department of Financial Institutions.

Governance of the Department of Financial Institutions: Under the bill, the Department of Financial Institutions (DFI) is an independent agency in the executive branch that exercises essential public functions. The bill exempts the DFI from oversight by the Office of Management and Budget, the Budget Agency, State Personnel Department, Indiana Department of Administration, and the Office of Technology, and removes the DFI from state purchasing provisions. Contracts for independent contractors who help with examinations are not subject to review by the Director of the Budget Agency or the Commissioner of the Department of Administration. The DFI is subject to biennial examinations by the State Board of Accounts, under the bill. The hourly rate for audit time at the State Board of Accounts is about $65.71 as of December 12, 2006.

Licensure: The bill also authorizes the members of the DFI to establish policies and procedures to license and regulate persons and entities. It allows the Director of DFI to designate a third party to be the sole entity responsible for processing license applications and renewals and other services assigns. The additional responsibility may minimally increase costs for members' policy- and procedure-making responsibilities. The designation of a third party for licensing would have indeterminate fiscal impact depending on the efficiencies of using a third party and the reasonable fees for licensees imposed by the Director as allowed under the bill.

Employee Compensation: With recommendation from the Director, the members will establish salaries and benefits for DFI employees. The recommendation may provide for salaries and benefits comparable to those paid by the Federal Deposit Insurance Corporation or other federal agencies. If the members authorize salary and benefits for the employees of the DFI that are substantially equivalent to those paid by the Federal Deposit Insurance Corporation or other federal agencies that supervise financial institutions, salary and benefits expenditures could increase for the DFI. The amount of the increase will depend on the recommendations of the Director and the decisions of the members. The bill specifies that the salary and benefits expenses are to be paid from the Financial Institutions Fund, which is consistent with the current statutory purposes of the Fund.

The Department has 76 employees, excluding members, with combined salary of $4.47 M. Information about salaries by position as of October 16, 2006, is provided in the table below.

Position Category	Number of Positions*	Average Annual Salary*
Administrative Assistant/Secretary	8	$26,280
Accountant/Program Coordinator	2	29,695
Applied System Analyst	2	66,154
Broadband Executive	7	84,088
Financial Examiner	57	60,938
*Vacant positions are included.		

Administrative Functions: The bill makes changes to the delegation of administrative functions between the DFI, its Director, and its members. To the extent that the DFI would perform some administrative functions currently delegated to the members, costs would remain unchanged. However, certain circumstances would be added to the justifications for denial of rights and privileges that may reduce administrative time in processing these requests. Any cost savings are expected to be minimal.

Background on the Department of Financial Institutions: The Financial Institutions Fund receives all revenue for and pays the annual expenses of the Department. The Department has 7 members who establish policy and procedure for DFI and a Director who administers the DFI. Members who are not state officers receive an annual salary of $4,000 a year plus travel and other expenses. For FY 2006, the Financial Institutions Fund received $7.4 M and paid expenditures of $7.3 M.

Explanation of State Revenues: *Violations of Statute, Rules, or Policy:* The bill adds to the statutory requirements and rules and polices governing certain regulated entities, including organizations regulated under the Uniform Consumer Credit Code (UCC); financial institutions; collection agencies; pawnbrokers; money transmitters; and check cashers. For most of the articles and chapters involved, violation of the statutory requirements results in a civil penalty or civil action brought by the DFI which may result in a civil penalty as determined by the courts. Also, the Director has authority to enforce the statutory requirements including issuing final orders. If more violations occur as the result of the additional regulations, more civil penalties may be assessed either through administrative action or court decisions. In most cases, the fine revenue is deposited in the Financial Institutions Fund.

Fees: A $5 fee for organizations regulated under the UCC is removed, and the DFI is to fix the fee instead. Also, the bill establishes a fee, fixed by the DFI, for organizations regulated under the UCC for failing to pay costs associated with UCC administration. The fee is for each day that the costs are not paid, but it is not assessed until 60 days after assessed costs are not paid.

Civil Penalties: The bill adds the following civil penalties:

- For a creditor who engages in a pattern or practice of failing to comply with provisions concerning insurance, a civil penalty not greater than $1,000 per occurrence.
- For violations of the UCC, a civil penalty not greater than $10,000 which may be imposed in addition to other sanctions already in place.
- For violations concerning small loans provisions, a civil penalty not to exceed $100 for each violation of the section or rules or policies adopted by the Director.

Explanation of Local Expenditures:

Explanation of Local Revenues:

State Agencies Affected: Department of Financial Institutions; State Board of Accounts.

Local Agencies Affected:

Information Sources: https://jobs1.quickhire.com/scripts/fdic.exe/runuserinfo?Haveusedbefore=5

Fiscal Analyst: Karen Firestone, 317-234-2106.